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TO RUEHKV/AMEMBASSY KYIV PRIORITY 0000
INFO MISSILE TECHNOLOGY CONTROL REGIME COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0000

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SIPDIS

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TAGS: [ETTC](#) [PARM](#) [PREL](#) [MTCRE](#) [MNUC](#) [UP](#) [CH](#)
SUBJECT: UKRAINIAN FIRM ARSENAL CONTINUES TO NEGOTIATE
WITH CHINESE MISSILE/SLV END-USERS TO SUPPLY MTCR-
CONTROLLED ITEMS (S)

REF: A. 2007 STATE 161304
[B](#). 2008 KYIV 706
[C](#). 2008 STATE 111716
[D](#). 2008 STATE 126516
[E](#). KYIV 108

Classified By: ISN/MTR DIRECTOR PAM DURHAM FOR REASONS 1.4 (B),
(C), AND (D).

[1](#). (U) This is an action request. Embassy Kyiv
please see para 5.

[2](#). (S) Background: In November 2007, we advised
Ukrainian officials that in late August 2007, the
Ukrainian firm Arsenal was in the final stages of a
deal to sell a high-accuracy gyrotheodolite to entities
associated with China's Sanjiang Space Group (CSSG)
(Ref A). CSSG produces short-range ballistic missiles
that exceed Missile Technology Control Regime (MTCR)
Category I range and payload thresholds.
Gyrotheodolites can be used to align guidance systems
for mobile ballistic missiles, and can be controlled
under the MTCR if designed or modified for use with
Category I or II space launch vehicles or ballistic
missiles. In April 2008, the GOU responded that
Arsenal was not involved in the transfer of a
gyrotheodolite to CSSG-associated entities (Ref B).
Subsequently, however, during late July/early August
2008 U.S.-Ukraine nonproliferation discussions in Kyiv,
we provided Ukraine information indicating that as of
July 2008, Arsenal was finalizing a gyrotheodolite
contract with China's Wuhan Sanjiang Import-Export
Corporation, an entity subordinate to CSSG (Ref C).

[3](#). (S) In response to a recent U.S. inquiry concerning
this case, Ukraine indicated that Arsenal has not been
engaged in efforts to export gyrotheodolites to China,
did not have any relationship with China's Wuhan
Sanjiang Import-Export Corporation, and does not engage
in any cooperation with Chinese companies (Refs D &
E)). However, we have new information indicating that
an Arsenal delegation recently visited China to
continue efforts to cement a deal to supply a
gyrotheodolite to a Chinese customer. We also
understand that Arsenal and the China Great Wall
Industry Corporation (CGWIC) held discussions
concerning a malfunctioning gyrotheodolite previously
sold by Arsenal to a Chinese customer, and that Arsenal
agreed to send a group of specialists to China to
repair the gyrotheodolite.

[4](#). (S) Purpose/Objectives: We want to bring this new
information concerning the gyrotheodolite case to the
attention of Ukrainian officials, urge them to
immediately conduct further inquiries into this matter,
and take measures to prevent Arsenal and other
Ukrainian entities from acting as sources of supply to

China's MTCR Category I programs. We also want to advise the GOU that in a separate activity, Arsenal discussed the potential sale of an MTCR-controlled stellar sensor to the China Academy of Launch Vehicle Technology 13 Institute. Stellar sensors can be used in the guidance and control applications of ballistic missiles and space launch vehicles.

15. (U) Action Request: Request Embassy Kyiv approach appropriate Ukrainian government officials to deliver talking points in paragraph 6 below and report response. Talking points also may be provided as a non-paper.

16. (SECRET//REL UKRAINE) BEGIN TALKING POINTS/NON-PAPER:

-- In the spirit of our nonproliferation partnership, we would like to follow-up with you on a matter of missile proliferation concern and request your government's continued assistance in investigating and stopping this activity.

-- In November 2007, we provided you with information indicating that the Ukrainian firm Arsenal Design Bureau was finalizing the sale of a UGT-A high accuracy gyrotheodolite to entities associated with China's Sanjiang Space Group (CSSG).

-- CSSG produces short-range ballistic missile systems that exceed Missile Technology Control Regime (MTCR) Category I range and payload thresholds.

-- We also noted that gyrotheodolites can be used in the alignment of ballistic missile guidance systems and if designed or modified for use with MTCR Category I or II systems, they are controlled under Item 12.A.1 of the MTCR Annex.

-- We were therefore concerned that this gyrotheodolite could be used to support China's MTCR Category I missile programs.

-- Your April 2008 response indicated that Arsenal was not transferring the gyrotheodolite to CSSG-associated entities.

-- However, during the U.S.-Ukraine nonproliferation talks in Kyiv on July 31-August 1, we provided further information indicating that in early July 2008, Arsenal was finalizing a contract with China's Wuhan Sanjiang Import-Export Corporation on behalf of CSSG.

-- The Wuhan Sanjian Import-Export Corporation - which is subordinate to CSSG - was to serve as the intermediary for the gyrotheodolite sale.

-- In response to our recent inquiry concerning this case, you indicated that Arsenal has not been engaged in efforts to export gyrotheodolites to China, did not have any relationship with China's Wuhan Sanjiang Import-Export Corporation, and does not engage in cooperation with Chinese companies.

-- However, we now have additional information indicating that a delegation from Arsenal recently visited China to continue its attempts to finalize a contract for the gyrotheodolite sale.

-- We also understand that Arsenal held discussions with an official from China Great Wall Industry Corporation concerning a malfunctioning UGT-S high-accuracy gyrotheodolite previously sold by Arsenal to a Chinese customer.

-- Arsenal apparently agreed to send a group of specialists to China to attempt to repair the UGT-S gyrotheodolite.

-- In light of this additional information and Arsenal's potential support to China's Category I programs, we strongly urge you to immediately conduct further inquiries into this case and to take all available measures to ensure that Arsenal and/or other Ukrainian entities are not serving as a source of supply for China's MTCR Category I programs.

-- In a separate matter, we understand that Arsenal recently discussed with China the potential sale of a DOZ stellar sensor to the China Academy of Launch Vehicle Technology 13 Institute.

-- The stellar sensor can be used in guidance and control applications for missiles/space launch vehicles and is controlled under Item 9.A.2 of the MTCR Annex.

-- We hope you also will investigate this case and look forward to continued cooperation on missile nonproliferation issues and to hearing the results of your inquiries.

¶7. (U) Please contact ISN/MTR's John Paul Herrmann with any questions or follow-up related to this case (202-647-1430 - herrmannjp2@state.gov or herrmannjp@state.sgov.gov) and slug reporting on this issue for ISN/MTR, EUR/UMB and EUR/PRA.

¶8. (U) A word version of this document will be posted at www.state.sgov.gov/demarche.
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